

PRESS STATEMENT

Malpractices at Ports Killing Local Manufacturing, and Major Threat to Government's Industrialization Policy of 1D1F.

The Association of Ghana Industries (AGI), once again commends Government for the reforms introduced to ensure efficiency at the ports. Seeking to promote manufacturing and competitiveness of local Industry, AGI continues to endorse the paperless system as a major initiative by Government to ease doing business.

However, there are indications of serious trade malpractices still at the ports. AGI is therefore calling on Government to quickly take steps to stop these malpractices and the revenue leakages at the ports. Paying taxes in Ghana is mandatory, yet some criminal minded importers have found cunning ways to evade tax/duties through the connivance with some revenue officials at the ports. Hundreds of millions of dollars worth of imports continue to slip through the Tema port especially without proper valuation.

In 2016, the GRA Customs missed its annual revenue target by 4.6%. Out of the GH¢10.82 billion target in 2016, Customs only managed to collect GH¢10.33 billion, implying a shortfall of GH¢495.84 million. The story was even worse last year, when GRA Customs Division missed its 2017 target by 9%. Although the Division was tasked to collect GH¢13.94 billion in that year, data from the GRA showed that it only managed to collect GH¢12.69 billion. This represented a shortfall of GH¢1.25 billion.

Efforts by Government to sanitize port procedures through the recently introduced paperless system and Single Window at the port have come under serious threat from cartels which continue to wreck the nation.

The practice of under-invoicing, under declaration and mis-description of imports in order to pay less in taxes are still rife, exposing local manufacturers to unfair competition from such imports.

This practice continues to take a heavy toll on our fruit juice sector, electrical cables, tomato paste, canned tuna, cooking oils, biscuits, and Fast Moving Consumer Goods in general. Unfair competition from under-valued imports also features prominently among the top challenges that businesses face as confirmed by the AGI Business Barometer.

In the case of the electrical cables, AGI's investigations revealed that the unit prices declared by the importer to Customs is different from the unit prices from the same manufacturer. For 1.5mm of PVC conduit cable, the manufacturer's price list was USD 14.4 per roll but the fake invoice submitted to Customs shows only USD 2.5 per roll. This translates to about 83% invoice price reduction and this runs through for all the different sizes of the cables. AGI will officially make these invoices available to the GRA for necessary action.

The magnitude of this practice is unimaginable and results in the following among others;

- Huge revenue loss to the state
- Eroding competitiveness of local manufacturing
- Job creation prospects waning
- Manufacturing sub-sector contribution to GDP declining
- Unreliable Tax to GDP ratio
- Start-ups hardly survive their 1st anniversary due to unfair competition
- Chances of Ghana becoming an export-oriented economy get slimmer
- Ultimate collapse of local manufacturing

It is one of the major reasons why our manufacturing sub-sector which represents a critical mass of the real sector of the Ghanaian economy continues to underperform, registering an average growth rate of 1.8% over the last four years. It is our considered view that factories under Government's One-District-One-Factory initiative will find it difficult to survive with these practices and Ghana runs the risk of experiencing another failed manufacturing effort if this persists.

We have also seen under-valued imports stifle our Made-in-Ghana campaign that could have bolstered growth of our local economy.

We hope that Government's effort to bring sanity to the valuation of imports is not undermined by these fraudulent practices. AGI will like to see the Ghana International Trade Commission functioning to address some of these malpractices.

The use of false values to undermine the whole economy can be addressed in a single step which has been used elsewhere. This is to make the valuation portals of inspection companies open to public scrutiny and verification. Whenever a false valuation is detected, a report can then be made to a Customs adjudication panel with power to review the valuation. A worldwide valuation model with risk analysis remains the world standard. We have been waiting for this since last September. The public should be sensitized on the right to report these malpractices to the special prosecutor's office for further investigation and action if the need be.

Consistent with our mission to help create a competitive local manufacturing Industry in Ghana, AGI remains resolute in fighting this practice. We will be glad to meet with all the relevant institutions and port authorities including the GRA and National Security to help check these fraudulent practices.

Signed: Dr. Yaw Adu Gyamfi
AGI President

For and on behalf of Association of Ghana Industries

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